

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

MICHAEL W. TUCKER,)	
)	
Plaintiff,)	
)	No. CV-05-930-HU
v.)	
)	
OREGON AERO, INC., an Oregon)	
corporation, MJD INNOVATIONS,)	
LLC, MICHAEL R. DENNIS, and)	OPINION & ORDER
JUDE DENNIS, individuals,)	
)	
Defendants.)	

Christopher H. Kent
Leslie S. Johnson
KENT & JOHNSON, LLP
1500 S.W. Taylor Street
Portland, Oregon 97205

Attorneys for Plaintiff

Christopher James
THE JAMES LAW GROUP
121 S.W. Morrison Street, Suite 900
Portland, Oregon 97204

Attorneys for Defendants

HUBEL, Magistrate Judge:

Plaintiff Michael W. Tucker brings this action against
defendants Oregon Aero, Inc., MJD Innovations, LLC, Michael Dennis,

1 and Jude Dennis. Plaintiff and defendants move for summary
2 judgment. All parties have also consented to entry of final
3 judgment by a Magistrate Judge in accordance with Federal Rule of
4 Civil Procedure 73 and 28 U.S.C. § 636(c).

5 For the reasons explained below, I deny defendants' motion and
6 I grant in part and deny in part plaintiff's motion.

7 BACKGROUND

8 Plaintiff is a mechanical engineer with work experience in
9 human factors engineering. Oregon Aero (OA) is an Oregon
10 corporation which designs and manufactures products for the airline
11 and aviation industries. MJD Innovations, LLC (MJD), is an Oregon
12 limited liability company organized by Michael and Jude Dennis.
13 The Dennises are husband and wife and are the sole shareholders,
14 officers, and directors of OA, and the sole members of MJD.

15 Plaintiff met the Dennises in the latter half of 1996 and
16 began a working relationship with OA in 1997, initially pursuant to
17 an oral independent contractor agreement. Plaintiff's first
18 assignment was to work on seat cushion cores. He later moved into
19 the development of military products and acted as a military
20 liaison.

21 The parties appear to have exchanged drafts of a written
22 independent contractor agreement (ICA) ("written ICA") in 1997 and
23 into 1998. Multiple drafts were exchanged. Neither OA nor
24 plaintiff ever signed the written ICA. Nonetheless, plaintiff
25 continued as an independent contractor for OA for many years.

26 The patents at issue in this case are sold under particular
27 product names. One, a "BLU Kit" is a helmet pad suspension system
28 consisting of several foam pads and supplied for new helmets.

1 Another, a "BLSS Kit," is a modification to an existing helmet.

2 Plaintiff asserts that he developed, or assisted in the
3 development of, the "BLU Kit" and the "BLSS Kit." The products
4 were patented, or have patent applications pending. Plaintiff was
5 listed as a co-owner of the patents.

6 The parties agree that in October 2003, Mike Dennis told
7 plaintiff that MJD needed to own the patents. Plaintiff asserts he
8 was the prior owner; defendants assert OA was the prior owner.
9 Between October 2003 and May 2004, plaintiff signed five
10 assignments transferring rights in the identified patents to MJD.

11 While it is not necessary to recite the details of plaintiff's
12 compensation throughout his relationship with OA here, it is
13 relevant to note that plaintiff asserts that Mike Dennis orally
14 represented that after assignment of the patents, plaintiff's
15 previous percentage of sales payments that he had been receiving,
16 would be replaced by a formal agreement to pay royalties on the
17 sales of the patented products.

18 Plaintiff terminated his consulting relationship with OA in
19 February 2005. Plaintiff alleges that he received nothing in
20 exchange for the patent assignments and that defendant breached its
21 oral contract regarding plaintiff's compensation, beginning in
22 January 2005.

23 STANDARDS

24 Summary judgment is appropriate if there is no genuine issue
25 of material fact and the moving party is entitled to judgment as a
26 matter of law. Fed. R. Civ. P. 56(c). The moving party bears the
27 initial responsibility of informing the court of the basis of its
28 motion, and identifying those portions of "'pleadings, depositions,

1 answers to interrogatories, and admissions on file, together with
2 the affidavits, if any,' which it believes demonstrate the absence
3 of a genuine issue of material fact." Celotex Corp. v. Catrett,
4 477 U.S. 317, 323 (1986) (quoting Fed. R. Civ. P. 56(c)).

5 "If the moving party meets its initial burden of showing 'the
6 absence of a material and triable issue of fact,' 'the burden then
7 moves to the opposing party, who must present significant probative
8 evidence tending to support its claim or defense.'" Intel Corp. v.
9 Hartford Accident & Indem. Co., 952 F.2d 1551, 1558 (9th Cir. 1991)
10 (quoting Richards v. Neilsen Freight Lines, 810 F.2d 898, 902 (9th
11 Cir. 1987)). The nonmoving party must go beyond the pleadings and
12 designate facts showing an issue for trial. Celotex, 477 U.S. at
13 322-23.

14 The substantive law governing a claim determines whether a
15 fact is material. T.W. Elec. Serv. v. Pacific Elec. Contractors
16 Ass'n, 809 F.2d 626, 630 (9th Cir. 1987). All reasonable doubts as
17 to the existence of a genuine issue of fact must be resolved
18 against the moving party. Matsushita Elec. Indus. Co. v. Zenith
19 Radio, 475 U.S. 574, 587 (1986). The court should view inferences
20 drawn from the facts in the light most favorable to the nonmoving
21 party. T.W. Elec. Serv., 809 F.2d at 630-31.

22 If the factual context makes the nonmoving party's claim as to
23 the existence of a material issue of fact implausible, that party
24 must come forward with more persuasive evidence to support his
25 claim than would otherwise be necessary. Id.; In re Agricultural
26 Research and Tech. Group, 916 F.2d 528, 534 (9th Cir. 1990);
27 California Architectural Bldg. Prod., Inc. v. Franciscan Ceramics,
28 Inc., 818 F.2d 1466, 1468 (9th Cir. 1987).

DISCUSSION

Plaintiff's claims generally concern plaintiff's assignment of certain patents to defendants. In his Second Amended Complaint, plaintiff brings claims of breach of contract, misrepresentation, rescission, and conversion. OA asserts counterclaims of breach of contract, breach of the duty of good faith and fair dealing, breach of fiduciary duty, fraudulent inducement, unjust enrichment, and rescission. All defendants also bring a declaratory judgment claim regarding the inventor of the patents, and a claim under 35 U.S.C. § 256, also regarding the inventor of the patents.

Plaintiff moves for summary judgment, or partial summary judgment, on the following claims and counterclaims: plaintiff's claims for rescission and conversion, all of the counterclaims seeking removal of plaintiff as an inventor, defendants' 35 U.S.C. § 285 counterclaim, and the counterclaims of breach of fiduciary duty, fraudulent inducement, and unjust enrichment.

Defendants move for summary judgment on the following counterclaims: declaratory judgment, breach of contract, breach of the duty of good faith and fair dealing, breach of fiduciary duty, and on a statute of frauds affirmative defense.

I. Breach of Contract Counterclaim - Defendants' Motion

The breach of contract counterclaim alleges that plaintiff and OA had an agreement, based on the terms of the proposed written ICA, and pursuant to that agreement, plaintiff owed certain express duties to OA, including, but not limited to, the duty to maintain confidentiality of certain information and the duty not to compete. Defts' Ans. at ¶¶ 49, 50. OA contends that plaintiff has breached the agreement in various ways, including breaching the

1 confidentiality and non-compete provisions. Id. at ¶ 79.

2 As noted above, it is undisputed that plaintiff and OA had an
3 oral independent contractor agreement which preceded their exchange
4 of multiple draft written agreements. Despite extensive briefing
5 by both parties, the precise terms of the oral agreement, other
6 than the compensation provided under the oral argument, are not
7 clearly established in the summary judgement record.

8 Plaintiff asserts that from the outset, he was paid on an
9 hourly basis for time spent for OA's benefit and was entitled to
10 reimbursement for some expenses. Ptlf's CSF at ¶ 16. Plaintiff
11 also asserts that he was further entitled to payment of a
12 percentage-of-sales or commission for sales of products he helped
13 develop. Id. Defendants admit that plaintiff was entitled to a
14 percentage of sales or commission for sales of certain products,
15 but defendants dispute any characterization by plaintiff that such
16 percentage or commission was limited to products plaintiff helped
17 develop. Defts' Resp. to Pltf's CSF at ¶ 16.

18 In deposition, Mike Dennis explained that plaintiff received
19 a commission on a "group of products available to him to represent
20 as a sales agent." M. Dennis Depo. at p. 109. These were products
21 plaintiff had not developed, but were available for him to sell.
22 Id. at p. 110. Additionally, he received "[t]en percent of the
23 value of a [BLU kit]," "the primary product of development." Id.
24 at p. 111. That was later changed to four percent. Id. at pp.
25 111-12. The testimony does not indicate when the change from ten
26 percent to four percent occurred. He also received 2.4 percent of
27 the gross sales of the BLSS kit due to his contribution to the
28 development of the pads included in it. Id.

1 Other than this compensation arrangement, however, nothing in
2 the record addresses any other aspect of the oral agreement.

3 At least one draft of the written ICA provides for plaintiff
4 to receive a monthly payment of \$1,666.67 for his consulting
5 services, and an additional commission for sales of certain
6 products described in Appendices A and B to the draft written ICA.
7 Exh. B to May 1, 2006 Affid. of Philip Griffin (Depo. Exh. 40);
8 Exh. B to May 12, 2006 Affid. of Philip Griffin (Depo. Exh. 40).
9 The Appendices are referred as the "Products Under Contract" and
10 "Product Commission Rate Schedule."¹

11 Exhibit 40 recites that OA desires to retain plaintiff's
12 services and plaintiff desires to provide specialized consulting
13 services to OA in the areas of product design and development and
14 sales and marketing of new and existing products of OA. Exh. B to
15 May 1, 2006 Griffin Affid. at p. 1. The draft ICA further recites
16

17 ¹ Defendants submitted the exhibit both in support of their
18 motion for summary judgment and in response to plaintiff's motion
19 but neither exhibit contains the referenced appendices. Exhibit
20 1 to the May 26, 2006 Affidavit of Robert Castro contains a
21 couple of different pages entitled "Appendix A" and "Appendix B"
22 which appear to be the pages referred to in Deposition Exhibit
23 40. Exh. 1 to May 26, 2006 Castro Affid. at pp. OA 02176, OA
24 02177. Appendix A lists various products under contract. Id. at
25 p. OA 02176. Appendix B lists the commission schedule and
26 provides that (1) sales of existing products not listed in
27 Appendix A in which plaintiff is responsible for the sale and
28 submits a written sales order, earn a four percent commission;
(2) sales of products listed in Appendix A earn a four-percent
commission unless plaintiff is responsible for the sale and
submits a written sales order in which case the commission is six
percent; and (3) in the event of externally funded research and
development, sales and or development of products where plaintiff
is partially responsible, plaintiff will be compensated at an
agreed upon fee, negotiated with OA's officers. Id. at OA 02177.

1 that the parties were entering

2 this Agreement to set forth the terms and conditions of
3 the Independent Consultant Agreement, to address certain
4 matters related to Tucker's contract and contacts with
5 Oregon Aero, and to restrict certain activities by Tucker
6 that the parties acknowledge and agree would constitute
7 unreasonable and unfair competition and detract from
8 Tucker's loyalty and commitment to Oregon Aero.

9 Id.

10 Exhibit 40 also contains a confidentiality provision and a
11 covenant not to compete. Id. at pp. 4-5. A separate provision
12 established that the agreement was to constitute the "entire
13 agreement of the parties concerning its subject matter and
14 supersedes all other oral or written understandings, discussions,
15 and agreements[.]" Id. at p. 10. It also provided that it could
16 be modified only in writing signed by both parties. Id.

17 In deposition, plaintiff admitted that Deposition Exhibit 40
18 incorporated the changes plaintiff had made to Deposition Exhibit
19 41, but he also testified that he could not recall the particular
20 order of the draft agreements and thus, could not recall if there
21 was another after Deposition Exhibit 40. Pltf's Depo. at pp. 135-
22 36, 138, 140.² Plaintiff testified that by preparing "this
23 document," which presumably refers to Deposition Exhibit 40, both

24 ² At page 140 of the deposition, plaintiff responds
25 affirmatively to the question of whether "Exhibit 41 contains
26 your edits to Exhibit 40?" Pltf's Depo. at p. 140. The
27 preceding pages of the deposition make clear, however, that the
28 question inverted the deposition exhibit numbers so that the
question should have been to ask whether Exhibit 40 contained the
edits to Exhibit 41. Thus, it is clear that plaintiff's
testimony is that while Exhibit 40 incorporated the handwritten
edits plaintiff made to Exhibit 41, he nonetheless cannot confirm
how many versions of the agreement were exchanged, in what order,
or whether Exhibit 40 was the final version.

1 parties were seeking to confirm "this consulting relationship."
 2 Id. at p. 153. However, plaintiff further stated that the fact he
 3 did not sign Exhibit 40 provides a reason to believe that it did
 4 not express his agreement with OA at that time in regard to his
 5 consulting services. Id. at p. 140.

6 In the summary judgment motion, OA contends that plaintiff is
 7 bound by the non-competition and confidentiality provisions of the
 8 written ICA, under any of several different legal theories. First,
 9 OA argues that the written ICA governs the parties' relationship
 10 based on a contract formation theory of mutual assent.

11 "Whether a contract existed is a question of law." Ken Hood
 12 Constr. Co. v. Pacific Coast Constr., Inc., 201 Or. App. 568, 577,
 13 120 P.3d 6, 11 (2005), modified, 203 Or. App. 768, 126 P.3d 1254,
 14 rev. denied, 341 Or. 366, 143 P.3d 239 (2006). As explained in Ken
 15 Hood:

16 Oregon subscribes to the objective theory of
 17 contracts. . . . In determining whether a contract
 18 exists and what its terms are, we examine the parties'
 19 objective manifestations of intent, as evidenced by their
 20 communications and acts. . . . Contract formation
 21 requires a bargain in which there is a manifestation of
 mutual assent to the exchange and a consideration. . . .
 The manifestation of mutual assent to an exchange
 ordinarily takes the form of an offer or proposal by one
 party followed by an acceptance by the other party or
 parties.

22 Id. at 578, 120 P.3d at 11 (internal quotations and citations
 23 omitted). Additionally, "[a] manifestation of acceptance to the
 24 offeror or his agent forms the contract regardless of the intent of
 25 the acceptor." Id. (internal quotation omitted).

26 While the issue of contract formation is a question of law,
 27 the more accurate framing of the legal issue is "[w]hether
 28 particular historical facts constitute the formation of a

1 contract[.]” Newton/Boldt v. Newton, 192 Or. App. 386, 392, 86
2 P.3d 49, 52, rev. denied, 337 Or. 84, 93 P.3d 72 (2004), cert.
3 denied, 543 U.S. 1173 (2005). Thus, the court must find the
4 historical facts before resolving the legal issue of whether those
5 facts constitute the formation of a contract. See Batzer Constr.,
6 Inc. v. Boyer, 204 Or. App. 309, 317-18, 129 P.3d 773, 778-79 (in
7 context of analyzing ambiguous contract term, where parties present
8 evidence of the circumstances underlying the formation of the
9 contract as part of the analysis related to ambiguity, “the court
10 must first find the historical facts before resolving the legal
11 question whether the term is ambiguous.”), rev. denied, 341 Or.
12 366, 183 P.3d 239 (2006); Wescold, Inc. v. Logan Int’l, Ltd., 120
13 Or. App. 512, 519-20, 852 P.2d 960, 964-65 (1993) (in context of
14 analyzing whether the terms of a contract are integrated, court
15 must first resolve preliminary issues of historical fact, or “what
16 happened”; then the court determines the legal effects of those
17 facts).

18 As echoed in Ken Hood, Restatement (Second) of Contracts § 18
19 provides that the manifestation of mutual assent to an exchange
20 requires each party to either make a promise or begin or render a
21 performance. Section 19 of the Restatement then addresses conduct
22 as a manifestation of an assent:

23 (1) The manifestation of assent may be made wholly or
24 partly by written or spoken words or by other acts or by
failure to act.

25 (2) The conduct of a party is not effective as a
26 manifestation of his assent unless he intends to engage
in the conduct and knows or has reason to know that the
other party may infer from his conduct that he assents.

27 (3) The conduct of a party may manifest assent even
28 though he does not in fact assent. In such cases a
resulting contract may be voidable because of fraud,
duress, mistake, or other invalidating cause.

1 Restatement (Second) of Contracts § 19.

2 OA relies primarily on Restatement (Second) of Contracts § 20
3 which addresses the effect of misunderstanding. It provides:

4 (1) There is no manifestation of mutual assent to an
5 exchange if the parties attach materially different
6 meanings to their manifestations and

7 (a) neither party knows or has reason to know the
8 meaning attached by the other; or

9 (b) each party knows or each party has reason to
10 know the meaning attached by the other.

11 (2) The manifestations of the parties are operative in
12 accordance with the meaning attached to them by one of
13 the parties if

14 (a) that party does not know of any different
15 meaning attached by the other, and the other knows
16 the meaning attached by the first party; or

17 (b) that party has no reason to know of any
18 different meaning attached by the other, and the
19 other has reason to know the meaning attached by
20 the first party.

21 Restatement (Second) of Contracts § 20.

22 Comment a explains that subsection (1) of Section 20 "states
23 the implications of the rule of § 19(2) as to meaning of
24 'manifestation of mutual assent' in cases of mistake in the
25 expression of assent." Restatement (Second) of Contracts, Section
26 20, comment a. The comments further explain that the

27 basic principle governing material misunderstanding is
28 stated in Subsection (1): no contract is formed if
neither party is at fault or if both parties are equally
at fault. Subsection (2) deals with cases where both
parties are not equally at fault. If one party knows the
other's meaning and manifests assent intending to insist
on a different meaning, he may be guilty of
misrepresentation. Whether or not there is such
misrepresentation as would give the other party a power
of avoidance, there is a contract under Subsection
(2)(a), and the mere negligence of the other party is
immaterial.

Restatement (Second) of Contracts § 20, comment d.

Relying on Section 20(2), OA contends that the undisputed
facts show that the parties intended to be bound by the written

1 ICA, that plaintiff had a particular meaning of the written ICA,
2 that is, not to be bound by the non-competition and confidentiality
3 provisions, and OA had a different meaning, that is, that plaintiff
4 be bound by those provisions, and because OA did not did not know
5 of plaintiff's meaning, but plaintiff knew of OA's meaning, the
6 contract should be formed according to OA's meaning. Additionally,
7 OA argues, the undisputed facts show that plaintiff has breached
8 these provisions and thus, it is entitled to summary judgment on
9 its breach of contract counterclaim.

10 The summary judgment record before me does not find support
11 defendant's argument. As noted above, there is no dispute that
12 plaintiff was working for OA since early 1997 under an oral
13 independent contractor agreement. There is also no dispute that
14 the parties exchanged drafts of the written ICA in late 1997 and
15 early 1998 and that neither plaintiff, nor anyone from OA signed
16 the written ICA. Plaintiff contends that the parties simply
17 proceeded along the terms of the oral agreement and that his
18 failure to sign the written ICA is objective evidence of his intent
19 not to be bound by it. Defendants contend that regardless of
20 plaintiff's, and defendants', failure to sign the written ICA, its
21 provisions still control the parties' relationship.

22 The first problem I have is that the historical facts are not
23 fully developed in the summary judgment record. As noted above,
24 although the record discloses plaintiff's compensation under the
25 oral agreement, there is no evidence³ of any non-competition or
26

27 ³ I have reviewed the entire summary judgment record
28 carefully. Nonetheless, I note that Local Rule 56(e) provides
that "Except as otherwise required by law, when resolving a

1 confidentiality provision in the oral contract. Thus, I cannot
2 assess whether the drafts of the written ICA were simply a written
3 memorialization of the preexisting oral contract or were a proposed
4 contract modification. In either of those cases, Section 20 would
5 not apply because it addresses contract formation rather than
6 written memorialization of a preexisting oral contract or
7 modification of a preexisting contract.

8 Second, even if the historical facts supported analyzing the
9 issue as one of contract formation, I reject defendants'
10 characterization of the cited deposition testimony. Defendants
11 contend that plaintiff admitted in deposition that the final
12 version of the written ICA reflected the parties' intentions, and
13 that plaintiff testified that although the written ICA contains
14 explicit provisions regarding confidentiality and non-competition,
15 he did not believe he owed any duties to OA regarding the
16 protection of confidential information or competitive interests.
17 Defendants also assert that at no time did plaintiff inform OA that
18 he did not agree with the written ICA's non-competition and
19 confidentiality provisions.

20 Although plaintiff admitted in his deposition that Deposition
21 Exhibit 40 incorporated his handwritten edits to Deposition Exhibit
22 41⁴, his testimony does not support defendants' assertion that
23 Deposition Exhibit 41 was the last draft plaintiff edited or that
24 the handwritten edits were to a final draft. Pltf's Depo. at pp.

25 _____
26 motion for summary judgment, the court has no independent duty to
27 search and consider any part of the court record not otherwise
referenced in the separate concise statements of the parties."

28 ⁴ See footnote 2.

1 138, 140 (while admitting that Deposition Exhibit 40 incorporated
2 the changes plaintiff had made to Deposition Exhibit 41, plaintiff
3 also testified that he could not recall the particular order of the
4 draft agreements and thus, could not recall if there was one after
5 Deposition Exhibit 40). The deposition testimony also does not
6 support defendants' assertion that plaintiff intended to be bound
7 by Deposition Exhibit 40. Id. at pp. 140, 153 (although plaintiff
8 testified that by preparing "this document," (presumably referring
9 to Deposition Exhibit 40), both parties were seeking to confirm
10 "this consulting relationship[,] he also stated that the fact he
11 did not sign Deposition Exhibit 40 provides a reason to believe
12 that it did not express his agreement with OA at that time in
13 regard to his consulting services). Id. at p. 140.

14 Next, defendants rely on the following testimony to support
15 their assertion that plaintiff had no intent to be bound by the
16 written ICA's confidentiality and non-compete provisions "from day
17 one":

18 Q: Did you believe that during the time that you worked
19 for Oregon Aero you had the right to compete with them in
any of their areas of products or inventions?

20 [objection by counsel but witness instructed he could
21 answer]

22 A: Yes

23 Q: And could that competition take the form of your
24 contacting a competitor in regards - or of Oregon Aero
25 and while you were working for Oregon Aero offer support
or product development services to them, to the
competitor?

26 [same objection and instruction]

27 A: I could have.

28 Q: Did you ever contact a competitor in regards - did
you ever contact a competitor of Oregon Aero and work in

1 any fashion to support them?

2 A: No.

3 Q: So, what you're talking about is a theoretical
4 opportunity or right that you felt you had?

5 A: Yes.

6 Q: And did the right that you're describing, or the
7 privilege that you're describing, did it commence with
8 your first employment with Oregon Aero or did it arise
9 subsequent to that?

10 [same objection and instruction]

11 A: One, I was never an employee of Oregon Aero. And
12 since there was never an agreement signed, then from day
13 one I would have had that theoretical right.

14 Pltff's Depo. at pp. 242-44.

15 I do not read the testimony as an admission by plaintiff that
16 he lacked the present intent to comply with the confidentiality and
17 non-compete provisions of the written ICA at the time the written
18 ICA was being negotiated. Rather, the testimony reveals that
19 plaintiff admitted that in retrospect, because the written ICA was
20 not signed, he would have had the right to compete from day one.
21 Thus, the record does not support OA's argument that at the time
22 the written ICA drafts were exchanged, plaintiff then possessed a
23 subjective intent not to be bound by the confidentiality and non-
24 compete provisions. Accordingly, OA cannot sustain a contract
25 formation argument based on a Section 20(2) theory.

26 Finally, even if the non-competition and confidentiality
27 provisions were operative based on OA's Section 20(2) theory, OA
28 would still not prevail on the summary judgment motion as to its
breach of contract claim. According to OA's own interpretation of
the cited testimony, plaintiff never took any action consistent
with his alleged belief that he was not bound by the non-

1 competition provision. There simply is no breach of the non-
2 compete provision given the lack of any action by plaintiff. See
3 Western Medical Consultants, Inc. v. Johnson, 835 F. Supp. 554, 559
4 (D. Or. 1993) (Judge Redden held that an employee who was subject
5 to an express non-compete agreement did not breach her fiduciary
6 duty by failing to tell her employer that she might compete with
7 the employer in its Alaska market), aff'd, 80 F.3d 1331 (9th Cir.
8 1996).

9 The next theory upon which defendants argue that the non-
10 competition and confidentiality provisions are operative, despite
11 neither party signing the written ICA, is one they call "acceptance
12 of benefits." Defendants contend that a party can accept a written
13 contract offer by act or conduct as well as by writing. Defendants
14 suggest that where the party's assent is indicated by an act or
15 conduct instead of by writing, the party is still bound by the
16 terms of the written contract.

17 While defendants may accurately state the law, see Western
18 Bank v. Morrill, 245 Or. 47, 58, 420 P.2d 119, 124 (1966) (in
19 absence of statute requiring agreement to be in writing signed by
20 the party to be charged, parties may become bound by the terms of
21 a written contract, though they do not sign it, where their assent
22 is otherwise indicated), I still have concerns about the
23 undeveloped historical facts, the undisputed evidence of the
24 preexisting oral contract, and the cited deposition testimony.
25 Even though the question of contract formation is one of law, on
26 this record, I cannot ascertain if plaintiff's conduct was simply
27 a continuation of his performance under the oral contract and
28 nothing more, or is properly characterized as an acceptance of the

1 proposed written contract. Thus, I reject defendants' summary
2 judgment argument that a contract was formed based on an
3 "acceptance of benefits" theory.

4 Finally, defendants contend that even if there is no basis for
5 finding an express contract, I should find an implied-in-fact
6 contract by inferring one from the parties' conduct, or
7 alternatively, I should at least imply at least the confidentiality
8 and non-competition terms in the parties' relationship.

9 Generally, a contract will be implied in fact when there is no
10 express mutual assent and the court determines the existence of
11 mutual assent by examining the parties' conduct. See Owen v.
12 Bradley, 231 Or. 94, 103, 371 P.2d 966, 970 (1962) (implied
13 contract arises only where the natural and just interpretation of
14 the parties' acts warrants such a conclusion); see also Staley v.
15 Taylor, 165 Or. App. 256, 262, 994 P.2d 1220, 1224 (2000) (implied
16 in fact contract is not different in legal effect from an express
17 contract, but difference is in how parties manifest their
18 agreement; in express contracts, the parties use written or spoken
19 words and in implied in fact contracts, the parties' agreement is
20 inferred, in whole or in part, from their conduct).

21 The same problems as recited above plague this theory as well.
22 Based on the current record, plaintiff's conduct may be nothing more
23 than performance consistent with the preexisting oral contract. It
24 does not appear that the written ICA was proposed at the outset.
25 Thus, there is no support in the current record for an implied-in-
26 fact contract based on plaintiff's performance being objectively
27 consistent with writings generated contemporaneously with the
28 initiation of plaintiff's relationship with OA. Instead, the

1 record shows plaintiff had performed under an oral contract for
2 months before the parties drafted and exchanged written proposals.

3
4 As to the confidentiality and non-compete provisions,
5 defendants argue that I should imply these contract terms based on
6 plaintiff's admission that during the course of his work for OA, he
7 was aware of and worked to protect OA's confidential information
8 and its competitive interests. Defendants argue that this
9 establishes a course of conduct which supports implied contract
10 terms regarding protection of confidential information and
11 competitive interests.

12 Here, again, the facts in this summary judgment record cannot
13 support a conclusion that as a matter of law, these terms should be
14 implied. Moreover, there is no evidence that plaintiff actually
15 breached any such term by any conduct and thus, summary judgment on
16 the contract claim, at least as to these provisions, is denied for
17 that reason alone. To the extent defendants contend that
18 plaintiff's conduct in bringing this lawsuit is a breach of a
19 contract provision, I reject that argument. I find no support for
20 defendants' theory that if a party to a contract has a contrary
21 view of whether there is a contract at all, or in the
22 interpretation of a contract, it cannot litigate those issues
23 without being in breach of the contract.

24 I deny defendants' motion for summary judgment as to the
25 breach of contract claim.

26 II. Declaratory Judgment Claim - Defendants' Motion

27 In this counterclaim, defendants seek a declaration that
28 plaintiff is not an inventor on the two patents or five patent

1 applications, and has no ownership interest in those patents or
2 patent applications. Defendants also seek a declaration that OA
3 employee Tony Erickson should be named as an inventor on one of the
4 patents and the five patent applications.

5 In the summary judgment motion, defendants argue for summary
6 judgment on the declaratory judgment claim based on the same
7 argument that OA asserted in support of its breach of contract
8 claim: that the written ICA defines "confidential information" to
9 include patents and that plaintiff is bound by the confidentiality
10 provision of the written ICA under any of several legal theories.
11 For the reasons explained above in the section discussing the
12 breach of contract claim, I deny defendants' motion on the
13 declaratory judgment claim.

14 III. Counterclaims Implicating Plaintiff's Inventorship -
15 Plaintiff's Motion

16 Plaintiff moves for summary judgment on (1) defendant's 35
17 U.S.C. § 256 counterclaim; (2) the declaratory judgment
18 counterclaim; (3) the portion of the breach of contractual duty of
19 good faith counterclaim contending that plaintiff misled and
20 concealed from OA that he did not contribute to the patent
21 conceptions and continued to accept compensation from OA when he
22 was not a co-inventor; (4) the portion of the breach of fiduciary
23 duty counterclaim alleging that he breached a fiduciary duty by not
24 disclosing his lack of contribution to the conception of the
25 patents, by continuing to accept compensation under the false
26 pretense that he was an inventor, and by misleading others
27 regarding his role in developing the patents; and (5) the portion
28 of the unjust enrichment counterclaim alleging that plaintiff did

1 not disclose his lack of contribution to the conception of the
2 patents and continued to accept compensation beyond that to which
3 he was entitled.

4 A. 35 U.S.C. § 256

5 In this claim, defendants contend that although plaintiff is
6 listed as either an inventor or co-inventor on U.S. Patent No. 6,
7 467, 099 ("the '099 patent"), U.S. Patent No. 6,812,375 ("the '375
8 patent"), U.S. Patent Application No. 20020152542 ("the '542 patent
9 application"), and U.S. Patent Application No. 20050255307 ("the
10 '307 application"), plaintiff did not contribute to the conception
11 of any claims of these patents and patent applications and instead,
12 had only limited or no involvement with the patents or their
13 claims. Answer at ¶¶ 59, 60, 62. Defendants contend that
14 plaintiff misled OA as to his involvement in the conception of the
15 patents and patent applications. Id. at ¶ 63. Defendants further
16 contend that Erickson contributed to the conception of the '099
17 patent, and two patent applications. Id. at ¶ 64.

18 Defendants seek an order directing the United States Patent &
19 Trademark Office to remove plaintiff as a named inventor of the
20 '099 patent, the '375 patent, the '542 patent application, the '307
21 patent application, and three other patent applications. Id. at ¶¶
22 67, 68. Defendants further seek an order directing the United
23 States Patent & Trademark Office to add Erickson as a named
24 inventor on the '099 patent, and all of the noted patent
25 applications. Id.

26 Section 256 provides:

27 Whenever through error a person is named in an
28 issued patent as the inventor, or through error an
inventor is not named in an issued patent and such error

1 arose without any deceptive intention on his part, the
2 Director may, on application of all the parties and
3 assignees, with proof of the facts and such other
 requirements as may be imposed, issue a certificate
 correcting such error.

4 The error of omitting inventors or naming persons
5 who are not inventors shall not invalidate the patent in
6 which such error occurred if it can be corrected as
7 provided in this section. The court before which such
 matter is called in question may order correction of the
 patent on notice and hearing of all parties concerned and
 the Director shall issue a certificate accordingly.

8 35 U.S.C. § 256.

9 The law presumes that because plaintiff is a named inventor,
10 he was indeed an inventor. Caterpillar, Inc. v. Sturman Indus.,
11 Inc., 387 F.3d 1358, 1377 (Fed. Cir. 2004) ("Patent issuance
12 creates a presumption that the named inventors are the true and
13 only inventors."), cert. denied, 545 U.S. 1114 (2005). The law
14 requires defendants to provide clear and convincing evidence to
15 overcome this presumption. Id. The testimony of the person
16 claiming to have been omitted from the patent as an inventor is
17 not, by itself, clear and convincing evidence. Id.

18 Here, defendants rely on testimony by Erickson, the alleged
19 omitted inventor, and further rely on an affidavit by another OA
20 employee, Dan Baxter. Erickson states that he was involved in all
21 aspects of the development of the helmet pads; he provides details
22 of that development process in his deposition testimony. Erickson
23 Depo. at pp. 6-12, 26-27. Erickson testified that plaintiff made
24 "contributions to the overall products of [OA] that [plaintiff]
25 worked on[,]" with "contributions" meaning communicating
26 information, customer needs, what the market wanted, or the
27 performance of products, or prototypes of products. Id. at pp.
28 33-34. He also contributed by communicating government

1 specifications and identifying what the product needed to do. Id.
2 Later, Erickson testified that plaintiff had little to do with the
3 design of the BLU and BLSS kits. Id. at p. 47.

4 Baxter, initially involved with OA's production of aircraft
5 seats, frequently worked with Erickson on various projects related
6 to product development and production. Baxter Affid. at ¶ 2. He
7 observed plaintiff in plaintiff's capacity as military liaison,
8 communicating with the military regarding equipment problems and
9 then relaying that information to Baxter and Erickson. Id. at ¶ 4.

10 Baxter remembers plaintiff bringing three green pads plaintiff
11 had received from the military, to Erickson and Baxter, to
12 determine if OA could produce the same type of pads. Id. at ¶ 5.
13 Baxter and Erickson focused on improving the design. Id. at ¶ 7.
14 Baxter describes how Erickson formulated and pursued ideas
15 regarding the development of the BLU and BLSS kits. Id. at ¶ 12.
16 He notes that plaintiff observed and assisted during testing of
17 such ideas. Id. He concludes that while plaintiff was present at
18 OA during the development of the pad system that ultimately became
19 the BLU/BLSS kits, his role was limited to providing input from the
20 military regarding its needs, assisting with the testing, and
21 working with the military with field testing of the product. Id.
22 at ¶13.

23 In contrast, Tucker describes his contributions to the patents
24 covering the designs of the BLU and BLSS kits as including
25 designing a five-pad system for the BLU kit, and having
26 responsibility for the design of the system when the military
27 requested that the number of pads increase from five to seven.
28 Tucker Declr. at ¶ 6. Plaintiff further testifies regarding his

1 contributions to the other patent at issue in the case, and states
2 that it resulted from his idea for an improved blunt impact
3 protection system for fire-fighting helmets. Id. at ¶ 8. He notes
4 that the design was completely his idea. Id.

5 Clearly, on this record, there is a disputed issue of fact
6 regarding the contribution plaintiff made to the patents.
7 Defendants assert that plaintiff's participation in the development
8 of the patents was minimal, while plaintiff attests to providing
9 more substantial ideas of conception and design.

10 The precise question here, however, is whether defendants have
11 created an issue of fact by showing, with clear and convincing
12 evidence other than that of the omitted inventor, that plaintiff
13 was not an inventor or co-inventor. See Anderson v. Liberty Lobby,
14 Inc., 477 U.S. 242, 254-55 (1986) (noting that in ruling on a
15 summary judgment motion, the district court takes this heightened
16 evidentiary standard into consideration).

17 "To be a joint inventor, an individual must make a
18 contribution to the conception of the claimed invention that is not
19 insignificant in quality[.]" Cook Biotech Inc. v. Acell, Inc., 460
20 F.3d 1365, 1373 (Fed. Cir. 2006) (internal quotation omitted).
21 While Erickson's testimony describing plaintiff's allegedly minimal
22 participation in the product development process cannot, as a
23 matter of law, constitute clear and convincing evidence to refute
24 the presumption of plaintiff's inventor status, his testimony is
25 corroborated by Baxter's testimony which, if credited as true,
26 would tend to show that plaintiff's contributions, described by
27 Baxter as being limited to providing information about the product
28 to and from the military and assisting in testing, do not meet the

1 level of contribution required to be considered an inventor.

2 Baxter's affidavit is sufficient to defeat the motion, even
3 considering the clear and convincing burden of proof defendants
4 bear on this issue, because if his corroborating testimony is
5 believed, plaintiff's work on the patented products was not a
6 contribution to the product's conception. E.g., Trovan, Ltd. v.
7 Sokymat SA, Irori, 299 F.3d 1292, 1302-03 (Fed. Cir. 2002)
8 (corroborating evidence "preferably comes in the form of physical
9 records that were made contemporaneously with the alleged prior
10 invention," but may also consist of circumstantial evidence about
11 the inventive process or reliable testimony from someone other than
12 the omitted inventor); Sim Kar Lighting Fixture Co. v. Genlyte,
13 Inc., 906 F. Supp. 967, 971-72 (D.N.J. 1995) (sworn statement by
14 omitted inventor insufficient by itself to defeat patent holder's
15 motion for summary judgment on section 256 claim brought by omitted
16 inventor, but motion denied because statement in a pretrial
17 document by patent licensee that omitted inventor was an inventor
18 provided sufficient corroboration under clear and convincing
19 standard); Celstron Pac v. Criterion Mfg. Co., Inc., 552 F. Supp.
20 612, 615-16 (D. Conn. 1982) (motion for summary judgment on claim
21 of misjoinder of inventors denied when deposition testimony
22 regarding roles played by individuals, conflicted).

23 I deny plaintiff's motion on this claim.

24 B. Other Counterclaims Implicating Inventorship

25 For the reasons explained in connection with the motion on the
26 section 256 claim, I deny plaintiff's motion addressed to the
27 declaratory judgment claim and the portions of the three other
28 claims that contend that plaintiff is not an inventor or a co-

1 inventor of the patents or patent applications at issue in the
2 case. The record reveals conflicting evidence regarding
3 plaintiff's role in the development of the products and thus,
4 summary judgment is inappropriate.

5 IV. 35 U.S.C. § 285 - Plaintiff's Motion

6 Although not a separately delineated counterclaim, defendants
7 seek the recovery of attorney's fees under 35 U.S.C. § 285 in
8 connection with their section 256 claim. Section 285 states that
9 the court may award reasonable attorney's fees to the prevailing
10 party in a patent case, in "exceptional cases." 35 U.S.C. § 285.

11 Plaintiff moves for summary judgment on this claim, arguing an
12 "exceptional case" is found only upon clear and convincing evidence
13 of bad faith by the party claiming patent ownership, and such a
14 showing is impossible for a claim under section 256 because section
15 256 is confined to when omission or other inventorship mistake is
16 due to inadvertent error.

17 Plaintiff correctly states that a party seeking attorney's
18 fees under section 285 must prove the existence of an "exceptional
19 case" by clear and convincing evidence of bad faith. See, e.g.,
20 Hoffmann-La Roche Inc. v. Invamed Inc., 213 F.3d 1359, 1365 (Fed.
21 Cir. 2000) (prevailing party must prove the existence of an
22 exceptional case by clear and convincing evidence, showing willful
23 infringement; inequitable conduct before the PTO; litigation
24 misconduct; vexatious, unjustified, and otherwise bad faith
25 litigation; or a frivolous suit).

26 However, plaintiff misstates the law regarding section 256.
27 That statute allows a misjoined inventor to be deleted regardless
28 of whether the error of misjoinder occurred by deception or

1 mistake. University of Col. Foundation, Inc. v. American Cyanamid
2 Co., 196 F.3d 1366, 1374 (Fed. Cir. 1999). In contrast, the
3 statute allows the error of nonjoinder, where the inventor is
4 completely omitted and wants to be added, to be corrected only in
5 the absence of deceptive intent. Id. As explained by the Federal
6 Circuit, "the statute allows correction in all misjoinder cases
7 featuring an error and in those nonjoinder cases where the unnamed
8 inventor is free of deceptive intent." Id.

9 Defendants' counterclaim concerns both a misjoinder argument
10 (plaintiff should not have been listed as an inventor), and a
11 nonjoinder argument (Erickson should have been a named inventor).
12 Here, because the statute allows a misjoinder error to be corrected
13 even if the error occurred by deception, I cannot conclude, as a
14 matter of law, that defendants cannot seek attorney's fees pursuant
15 to section 285 should they prevail on that aspect of the
16 counterclaim.

17 However, I reach the opposite result as to the nonjoinder
18 argument. The nonjoinder error may be corrected only if the
19 nonjoinder mistake occurred with no deception by the omitted
20 inventor, in this case Erickson. Plaintiff argues that because
21 defendants can sustain this part of the claim only by showing an
22 innocent mistake, it is, by definition, incompatible with a
23 determination of bad faith.

24 The proper inquiry on the fee issue, however, is not the bad
25 faith of the omitted inventor, but rather, the bad faith on the
26 part of the party who loses the claim, meaning plaintiff in the
27 case of defendants' claim for attorney's fees. Although plaintiff
28 may have focused on the wrong actor, because the summary judgment

1 record does not create an issue of fact regarding bad faith by
2 plaintiff in the question of Erickson's nonjoinder, I grant summary
3 judgment to plaintiff on defendants' request for attorney's fees to
4 the extent defendants should prevail on the nonjoinder portion of
5 their section 256 claim.

6 In defendants' response to plaintiff's concise statement of
7 facts, filed by defendants in opposition to plaintiff's summary
8 judgment motion, defendants cite to portions of deposition
9 testimony from plaintiff, Mike Dennis, and John Dickinson, OA's
10 patent counsel. Defts' Resp. to Pltf's CSF at ¶ 8. The cited
11 evidence indicates that (1) both Mike Dennis and plaintiff
12 communicated to Dickinson about certain patents, (2) in terms of
13 identification of inventors, that plaintiff and Mike Dennis, on one
14 occasion in 1998, indicated they were both inventors as to an
15 unidentified product and that Dickinson did not recall either Mike
16 Dennis or plaintiff identifying anyone else, (3) plaintiff believed
17 Erickson had a role in testing a product, possibly a "KLU kit," and
18 that Baxter or Erickson might have been involved in the development
19 team of that product, and (4) if Erickson's or Baxter's
20 contribution could be considered "patentable novelty" as to the KLU
21 kit, plaintiff believed it was Mike Dennis's role to inform
22 Dickinson of that. Id.

23 It is defendants' burden to come forward with some evidence
24 capable of creating a material issue of fact, on the question of
25 whether plaintiff somehow acted with deception or in bad faith in
26 Erickson's failure to be listed as a named inventor on the relevant
27 patents. Defendants fail to meet that burden with this evidence.
28 Accordingly, I grant plaintiff's motion on the section 285 claim,

1 in part, to the extent that the claim seeks fees for any success on
2 the section 256 claim to correct the nonjoinder of Erickson.

3 V. Rescission Claim - Plaintiff's Motion

4 In this claim, plaintiff seeks rescission of the patent
5 assignments he made to MJD, and a declaration and permanent
6 injunction that he is the joint owner of an undivided interest in
7 the patents either because they are void for lack of consideration
8 or, alternatively, because they were obtained by fraud. Sec. Am.
9 Compl. at ¶ 32. Plaintiff seeks summary judgment on this claim,
10 arguing that the patent assignments are void and reinstatement of
11 plaintiff's interest must occur because there is no dispute that
12 there was an absence of consideration supporting the assignment.

13 Although plaintiff accurately suggests that the modification
14 of a contract must be supported by consideration, Bennett v.
15 Farmers Ins. Co. of Or., 332 Or. 138, 148, 26 P.3d 785, 792 (2001)
16 ("It is axiomatic that parties to a contract may modify that
17 contract by mutual assent[;] . . . [s]uch a modification must be
18 supported by consideration") (citation omitted), the problem here
19 is that the issue of the parties' contract terms remains in
20 dispute.

21 The written ICA contains an explicit confidentiality provision
22 which provides that any "confidential information" whether
23 developed by plaintiff or not, "shall at all times be Oregon Aero's
24 exclusive property." Exh. B to May 1, 2006 Griffin Affid. at pp.
25 4-5. "Confidential Information" is defined to include OA's
26 inventions created by an OA employee or by plaintiff. Id. The
27 written ICA expressly provides that the term inventions is to be
28 construed broadly and includes any idea, invention, etc., created,

1 conceived, or developed by plaintiff or under his direction,
2 whether solely or with others. Id.

3 If the written ICA governs the parties' relationship, it
4 appears to give ownership rights in the patents to OA in the first
5 instance. Thus, plaintiff would not have had an ownership interest
6 to assign to MJD and cannot base a rescission claim on the lack of
7 consideration for an assignment that was, essentially, superfluous.

8 However, I note that if the written ICA does not control,
9 plaintiff has a strong argument on the rescission claim because
10 Mike Dennis himself states that plaintiff was given nothing new or
11 in addition to what plaintiff had been receiving all along, in
12 consideration for his assignment of the patents to MJD. Mike
13 Dennis Depo. at pp. 143-44.

14 In supplemental briefing following oral argument, defendants
15 contend that plaintiff's independent contractor status itself
16 created a duty to assign the patents to defendants and thus, no
17 additional consideration is required to render the assignments
18 valid. I reject this argument. Defendants principally rely on a
19 1993 District of Colorado case to argue that even though plaintiff
20 was not an employee of OA, the fact that he was hired specifically
21 to design and invent means he has no ownership rights to the
22 patents he produced while performing these services for OA.

23 The problem with defendants' position is that the case,
24 Computer Associates Int'l v. American Fundware, Inc., 831 F. Supp.
25 1516 (D. Colo. 1993), did not involve patent rights. Rather, it
26 addressed ownership rights by an independent contractor to trade
27 secrets. The plaintiff computer software company moved for summary
28 judgment on an unfair competition counterclaim brought by the

1 defendant, on the basis that the claim was barred by the "Noerr-
2 Pennington doctrine," under which "those who petition government
3 for redress are generally immune from antitrust liability." Id. at
4 1521 (internal quotation omitted). As the court explained, "[i]n
5 the adjudicatory setting, the Noerr-Pennington doctrine protects a
6 litigant from antitrust liability unless his opponent can establish
7 that the litigant's case is a sham." Id.

8 In addressing this "sham" exception, the court discussed the
9 defendant's argument that the plaintiff's claims in litigation were
10 objectively baseless because the plaintiff did not own the computer
11 software programs at issue as they were owned by the independent
12 contractors who were hired to produce them. Id. at 1524. The
13 court rejected the defendant's argument. The court noted that
14 under the common law of trade secrets, when an employer pays an
15 employee to design, the employer owns the "fruits of [the
16 employee's] labor." Id.

17 The court then extended this "ownership rule" to employee
18 ideas and developments, which, it stated, meet the definition of a
19 trade secret. Id. Then, the court, quoting a trade secrets
20 treatise, concluded that the rule is extended to nonemployment
21 situations so that an independent contractor should be considered
22 equivalent to an employee hired to develop an idea, with the
23 results of his or her work owned by the hiring company. Id.⁵

24
25 ⁵ In a "see, e.g." cite, the court also cited a 1991 Ninth
26 Circuit case, Lamb-Westson, Inc. v. McCain Foods, Ltd., 941 F.2d
27 970, 972-73 (9th Cir. 1991), with the following explanatory
28 parenthetical: "(affirming grant of preliminary injunction to
potato processor holding trade secret in blade system developed
by independent contractor)."

Lamb-Weston, however, involved a situation where the

1 Defendants argue that trade secrets are sufficiently analogous
2 to patents and that I should apply the reasoning in the Colorado
3 case to the situation here and conclude that even though plaintiff
4 was an independent contractor of OA, his work is owned by OA
5 because he was hired to create or design. I am unwilling to extend
6 the reasoning in Computer Associates without some authority that it
7 applies to patents. First, Computer Associates is not binding on
8 this court. Second, the discussion in the case relied on by
9 defendants arose in an entirely different context than presented
10 here. Third, the case was confined to trade secrets, not patents.
11 Fourth, while trade secrets may share some similarities to patents
12 (development of an idea and development or design of a process or
13 machine), there are notable differences. See Cataphote Corp. v.
14 Hudson, 422 F.2d 1290, 1293 (5th Cir. 1970) (trade secret creates
15 opportunity to obtain an advantage over competitors who do not know
16 of or use it; patent laws establish a monopoly for the purpose of
17 encouraging invention and the arts; the trade secret is protected
18 by being kept secret and the patent is protected after being spread
19 on the public records for all to see). Thus, I do not extend the
20 holding of Computer Associates to the facts of this case.

21 Defendants also assert that as a fiduciary, plaintiff was
22 _____
23 independent contractor orally agreed to keep the plaintiff's
24 information confidential and then later signed a written
25 confidentiality agreement. Id. at 972, 973 n.2. The case
26 involved a claim of misappropriation of trade secrets and the
27 relevant issue resolved by the court was whether there was a
28 confidential relationship between the party asserting trade
secret information and the party who disclosed the information;
the issue was not one of ownership of a design idea by the
independent contractor.

1 bound to assign the patents to OA. Defendants' argument is
2 initially premised on its theory that the provisions in the written
3 ICA created a fiduciary relationship between plaintiff and OA. For
4 the reasons explained above, there are material issues of fact
5 precluding a determination on summary judgment regarding whether
6 the written ICA governed the parties' relationship despite its lack
7 of signatures.

8 To the extent defendants' argument is premised on a fiduciary
9 duty emerging from the parties' oral agreement, I conclude that the
10 record is similarly undeveloped in regard to the terms of that
11 agreement. Thus, while fiduciary duties may exist in an agency
12 relationship, including one of independent contractor - contractee,
13 I cannot ascertain whether the oral agreement in this case created
14 such fiduciary duties.

15 More importantly, the cases defendants cite in support of this
16 argument concern the fiduciary duty of corporate officers to assign
17 patents to a corporation. Defendants argue that the fact that
18 plaintiff was not a corporate officer is irrelevant because it is
19 not the title, but the nature of the position that determines
20 whether a fiduciary responsibility exists. Id. But, while the
21 title of corporate officer itself may not determinative, the cases
22 all concern the fiduciary duties owed by an employee of the
23 corporation and do not address the fiduciary duties of an
24 independent contractor. Thus, defendants fail to cite support for
25 the proposition that the fiduciary duties owed as part of an
26 independent contractor relationship extend beyond those of loyalty
27 or confidentiality, and include the actual assignment of patents to
28 the contractee. Without any such authority, I reject defendants'

1 argument.⁶

2 In summary, on this claim, I deny plaintiff's motion on the
3 rescission claim because the issue of whether the written ICA
4 controls the parties' relationship cannot be resolved.

5 VI. Conversion Claim - Plaintiff's Motion

6 Plaintiff contends that in obtaining the assignments of
7 plaintiff's ownership rights to the patents to MJD, defendants
8 intended to exercise dominion and control over plaintiff's rights
9 and in doing so, interfered with plaintiff's right to possession of
10 his undivided interest in the patents. Sec. Am. Compl. at ¶ 35.
11 Plaintiff contends that as a result of defendants' conversion of
12 plaintiff's patent rights, plaintiff is entitled to damages in the
13 amount of the market value of the patents of \$3,500,000. Id. at ¶
14 36. Plaintiff also seeks punitive damages based on his assertion
15 that defendants' conduct was intentional, willful, in violation of
16 acceptable conduct, and calculated to have plaintiff forfeit his
17 extremely valuable ownership rights and royalties. Id. at ¶ 37.

18 In Oregon, "[c]onversion is an intentional exercise of
19 dominion or control over a chattel which so interferes with the
20 right of another to control it that the actor may justly be
21 required to pay the other the full value of the chattel." Mustola
22 v. Toddy, 253 Or. 658, 663-64, 456 P.2d 1004, 1007 (1969) (quoting
23 Restatement (Second) of Torts § 222A (1965)); see also Hemstreet v.
24 Spears, 282 Or. 439, 444, 579 P.2d 229, 233 (1979) (reaffirming use
25 of Restatement).

26
27 ⁶ Because of my conclusion here, I deny plaintiff's motion
28 to strike defendants' submission of supplemental authority as
moot.

1 Oregon courts follow a traditional formulation of the tort
2 which includes examining various factors to determine the
3 seriousness of the interference and the justice in requiring the
4 actor to pay the full value as a consequence of a forced judicial
5 sale of the chattel. See Mustola, 253 Or. at 663-64, 456 P.2d at
6 1107 (quoting Restatement's list of six factors).

7 Plaintiff moves for partial summary judgment on the conversion
8 claim because, plaintiff argues, it is undisputed that defendants
9 exercised, and continue to exercise, dominion and control over
10 plaintiff's patent rights by means of the assignments to MJD and
11 that the assignments are not enforceable due to the lack of
12 consideration or fraud. In essence, plaintiff seeks summary
13 judgment on the issue of liability, and leaves for trial the value
14 of the patent rights that plaintiff alleges defendants converted,
15 because, plaintiff asserts, there are no material disputes that
16 defendants exercise such dominion and control over plaintiff's
17 property interests such that they should be required to purchase
18 those interests.

19 I deny the motion because the issue of whether plaintiff had
20 any ownership rights to the patents remains outstanding. If
21 defendants prevail in their argument that the written ICA governs
22 the parties' relationship, the evidence suggests that the
23 assignment of the patents was consistent with the terms of the
24 written ICA and thus, defendants would not be liable for
25 conversion. However, if defendants do not prevail in that
26 argument, then the relevant question is whether the oral contract,
27 whose terms are still unknown other than the compensation
28 provision, gave defendants enough of a claim or stake in the

1 patents to exercise the level of control over the patents that
2 defendants have actually exercised, to avoid liability for
3 conversion. Because the record does not contain the relevant
4 facts, I deny the motion directed to the conversion claim.

5 VII. Breach of Fiduciary Duty Counterclaim - Plaintiff's and
6 Defendants' Motions

7 In this counterclaim, OA contends contend that while plaintiff
8 provided consulting services to OA from 1997 to 2005, he was privy
9 to OA's valuable confidential and proprietary information, and was
10 under a duty to maintain the confidentiality of such information.
11 Answer at ¶ 87. OA asserts that plaintiff owed OA the fiduciary
12 duties of loyalty, good faith, and full disclosure. Id. at ¶ 88.
13 OA further contends that plaintiff breached his fiduciary duty to
14 OA in a number of specific ways. Id. at ¶ 89.

15 Plaintiff moves for summary judgment on this counterclaim
16 because, plaintiff argues, there is no fiduciary duty owed in the
17 context of an independent contractor agreement and alternatively,
18 there was no breach of any duty in any event. OA moves for summary
19 judgment, arguing that a fiduciary relationship arises out of
20 plaintiff's agency relationship with OA.

21 As noted above in the discussion of plaintiff's rescission
22 claim, I cannot grant summary judgment to either party on the
23 question of whether there was a fiduciary duty owed by plaintiff to
24 OA based on either the written ICA or the oral agreement because
25 the relevant terms of the latter are not in this record and the
26 record does not allow resolution of whether the former actually
27 governed the parties' relationship. Moreover, as noted above, I
28 reject defendants' arguments that independent of any terms of

1 either the oral agreement or a written one, a fiduciary duty
2 regarding patent rights is automatically implied into any
3 independent contractor - contractee relationship.

4 Even assuming, however, for the purposes of this motion, that
5 plaintiff owed OA fiduciary duties of confidentiality and non-
6 competition, I grant plaintiff's motion on this claim and deny
7 defendant's motion. The only breach of fiduciary alleged by
8 defendant in this motion is that plaintiff possessed a secret
9 intent not to comply with the confidentiality and non-competition
10 provisions of the written ICA. The record is devoid of any
11 evidence that plaintiff took any actions in furtherance of this
12 alleged secret belief. Without such conduct, defendant's claim
13 fails. Western Med. Consultants, 835 F. Supp. at 559 (employee who
14 was subject to express non-compete agreement did not breach
15 fiduciary duty by failing to tell her employer that she might
16 compete with it in Alaska market).

17 VIII. Fraudulent Inducement Counterclaim - Plaintiff's Motion

18 OA alleges that throughout the contract discussions and
19 negotiations between OA and plaintiff, plaintiff represented that
20 (1) all "inventions" whether or not developed by plaintiff, were
21 OA's exclusive property; (2) he would not compete with OA; and (3)
22 commission payments would end upon termination of the contract.
23 Answer at ¶ 92. OA further alleges that despite these
24 representations, plaintiff had no intention of honoring them. Id.
25 at ¶ 93. OA asserts that plaintiff misrepresented that he would
26 perform according to the agreement between the parties and
27 concealed his true intention that he would not abide by it. Id.

28 OA contends that plaintiff acted intentionally so as to induce

1 OA to enter into the agreement, and any modifications thereto, and
2 to permit plaintiff to fraudulently obtain compensation and
3 benefits from OA. Id. OA further contends that it relied on
4 plaintiff's representations that he had agreed to the terms of the
5 contract and any modification thereto, that plaintiff's
6 misrepresentations were material, and that OA would not have gone
7 forward with the agreement, and any modifications thereto, had it
8 known that plaintiff had no intention of performing as required by
9 the terms of the agreement. Id. at ¶ 94.

10 Plaintiff moves for summary judgment on this counterclaim.
11 Plaintiff argues that because the written ICA is not a binding
12 contractual agreement, there were no representations made.
13 Although OA sought such promises in presenting draft agreements, no
14 such promises were obtained from plaintiff because the agreement
15 was never signed. Additionally, as noted above, plaintiff did not
16 state in deposition that he lacked the present intent to comply
17 with the confidentiality and non-compete provisions of the written
18 ICA at the time the written ICA was being negotiated, but rather
19 stated that in retrospect, because the written ICA was not signed,
20 he would have had the right to compete from day one.

21 I deny plaintiff's motion on this claim because of the
22 presence of questions of historical fact relevant to contract
23 formation and specifically, relevant to the issue of whether the
24 written ICA governs the parties' relationship. This is a
25 fundamental question requiring resolution before I can determine,
26 as a matter of law, if plaintiff made any binding representations
27 during the negotiation process and whether they were made with no
28 intent of performance.

IX. Unjust Enrichment Counterclaim - Plaintiff's Motion

Plaintiff moves for summary judgment on this counterclaim in which OA contends that based on plaintiff's alleged failure to disclose that he did not intend to be bound by the parties' agreement regarding the ownership of the inventions, and the non-compete and confidentiality provisions of the written ICA, his continued acceptance of compensation in an amount not less than \$1,057,945.60, unjustly enriched him and damaged defendants.

I deny plaintiff's motion on this claim because, as stated throughout this Opinion, the record does not allow a determination at this point as to whether the written ICA controlled the parties' relationship, and the record does not contain all of the relevant and material terms of the preceding oral agreement. Thus, without knowing which agreement governs, or the terms of the oral agreement, I cannot determine whether the compensation paid to plaintiff was "unjust" in the sense that OA conferred a benefit on plaintiff (the compensation) under circumstances making it unjust for plaintiff to retain it. E.g., Winters v. County of Clatsop, No. 03-2129 A124361, 2007 WL 10414, at *2 (Or. App. Jan. 3, 2007) ("It is well-settled that, to establish unjust enrichment, a plaintiff must establish that (1) the plaintiff conferred a benefit on the defendant; (2) the defendant was aware that it had received a benefit; and (3) under the circumstances, it would be unjust for the defendant to retain the benefit without paying for it.").

X. Breach of Duty of Good Faith Counterclaim - Defendants' Motion

Defendants move for summary judgment on this counterclaim. Defendants argue that pursuant to the implied duties of good faith and fair dealing, plaintiff was required to act in a manner to

1 avoid "the effect of destroying or injuring the right of the other
2 party to receive the fruits of the contract." Defts' Mem. at p.
3 15. Defendants contend that plaintiff breached these duties when
4 he continued to accept compensation from defendants while at the
5 same time, concealing his belief that he was not subject to the
6 confidentiality and non-competition provisions of the written ICA.

7 The duty of good faith and fair dealing "serves to effectuate
8 the objectively reasonable expectations of the parties" and "may be
9 implied as to a disputed issue only if the parties have not agreed
10 to an express term that governs that issue[.]" Gibson v. Douglas
11 County, 197 Or. App. 204, 217, 106 P.3d 151, 158 (2005). The duty
12 does not expand the substantive duties under a contract; rather, it
13 relates to the performance of the contract. See Zygar v. Johnson,
14 169 Or. App. 638, 645, 10 P.3d 326, 330 (2000) (a party's duty of
15 good faith in the performance of a contract cannot contradict an
16 express contractual term, nor otherwise provide a remedy for an
17 unpleasantly motivated act that is expressly permitted by the
18 contract).

19 Here, without knowing the governing contract terms,
20 plaintiff's alleged conduct cannot be adjudged as breaching the
21 implied duties of good faith and fair dealing. The law requires
22 that the express contractual duties be examined first and the
23 parties' performance examined against the backdrop of those express
24 duties. Accordingly, I deny defendants' motion on this
25 counterclaim.

26 XI. Statute of Frauds Affirmative Defense - Defendants' Motion

27 In this affirmative defense, defendants simply state that
28 "[p]laintiff's breach of contract claim is barred by the statute of

1 frauds." Answer at ¶ 41. Plaintiff's breach of contract claim
2 asserts, as noted above, that Mike Dennis represented that
3 plaintiff would be paid royalties on the sales of patented products
4 after he assigned the patents to MJD. Plaintiff alleges that Mike
5 Dennis repeated this representation on more than one occasion.
6 Sec. Am. Compl. at ¶¶ 15, 17. Plaintiff then contends that in
7 January 2005, defendants withdrew their offer to pay royalties and
8 thus, in February 2005, plaintiff ceased working for OA. Id. at ¶
9 21. Plaintiff contends that defendants' failure to pay the
10 promised royalties breached the parties' agreement and damaged
11 plaintiff in an amount of at least \$3,000,000 in the years 2005
12 through 2007. Id. at ¶ 23.

13 Defendants seek summary judgment on this affirmative defense
14 on the basis that the oral contract regarding royalty payments is
15 unenforceable under the statute of frauds because the agreement
16 would extend beyond one year. I deny the motion.

17 Oregon statutes provide that an agreement that by its terms is
18 not to be performed within a year from the making, is void unless
19 memorialized in a writing. Oregon Revised Statute § (O.R.S.)
20 41.580(1)(a). As explained by the Oregon Court of Appeals:

21 "In general, a verbal stipulation to render some
22 particular service which fixes no definite or contingent
23 time for its performance, but which is capable of
24 performance within one year after the same is made, is
not controlled by the statute, although the act probably
will not be, and was not expected to be fulfilled within
that time."

25 Kaiser Foundation Health Plan of the Northwest v. Doe, 136 Or. App.
26 566, 578, 903 P.2d 375, 382 (1995) (quoting Duniway v. Wiley, 85
27 Or. 86, 89, 166 P. 45 (1917), modified, 138 Or. App. 428, 908 P.2d
28 850 (1996)).

1 Here, as plaintiff notes, nothing in the oral agreement
2 regarding the royalty payments prevented defendants from performing
3 its alleged promise within one year after it was made. Because the
4 oral contract could have been performed within one year, the fact
5 that it probably would not be, or was not expected to be, does not
6 make the oral contract void under the statute of frauds.

7 Additionally, "a contract that would be void under a literal
8 reading of the statute is rendered enforceable in equity if the
9 party seeking to avoid the statute has partially performed the oral
10 contract." Siegner v. Interstate Prod. Credit Assoc. of Spokane,
11 109 Or. App. 417, 432, 820 P.2d 20, 30 (1991) (citing Engelcke v.
12 Stoehsler, 273 Or. 937, 944, 544 P.2d 582 (1975)).

13 The doctrine of part performance provides for enforcement of
14 an oral agreement if (1) "there is conduct corroborating and
15 unequivocally referable to the oral agreement sufficient to satisfy
16 the policy of the statute designed to minimize perjured claims and
17 the opportunities for fraud," and (2) "if there are equitable
18 grounds for enforcing the contract whether those grounds are found
19 in facts justifying the avoidance of unjust enrichment or relief
20 from fraud." In the Matter of the Marriage of DeCair, 131 Or. App.
21 413, 420, 885 P.2d 736, 740 (1995) (internal quotation and
22 emphasis omitted).

23 Here, it is undisputed that plaintiff assigned the patents to
24 MJD, which, if plaintiff's asserted facts are to be believed, is
25 conduct corroborating and unequivocally referable to the oral
26 agreement. If plaintiff owned the patents in the first instance
27 and they did not become the property of OA under the written ICA,
28 and if defendants orally represented that plaintiff would receive

1 patent royalties in exchange for assigning the patents to MJD, and
2 failed to pay them, there may be grounds for equitably enforcing
3 the oral royalty payment contract.

4 Finally, as plaintiff notes, when facts suggest that one party
5 to the oral contract may have induced the other party to act based
6 on a false representation made by the first party with knowledge of
7 the facts and with the intention that it be acted upon by the other
8 party, and the other party was ignorant of the truth, the first
9 party may be estopped from asserting the statute of frauds.
10 Siegner, 109 Or. App. at 423, 820 P.2d at 30. Here, plaintiff
11 contends that the patent assignments were induced by defendants'
12 misrepresentations. Assuming the truth of the facts in plaintiff's
13 favor, defendants may be estopped from asserting the statute of
14 frauds.

15 CONCLUSION

16 I deny defendants' motion for summary judgment (#64) and I
17 grant in part and deny in part plaintiff's motion for summary
18 judgment (#59). Plaintiff's motion to strike defendants'
19 supplemental submission (#108) is denied as moot.

20 IT IS SO ORDERED.

21 Dated this 1st day of February, 2007.

22
23
24 /s/ Dennis James Hubel
25 Dennis James Hubel
26 United States Magistrate Judge
27
28